

Property Tax Payments, 2002-2003

- Owen County -

Indiana Legislative Services Agency

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The Indiana Supreme Court found Indiana's true tax value assessment rules to be unconstitutional in December 1998. Major changes in property tax payments in each county from 2002 to 2003 were caused by several factors, including:

- The move from the old true tax value assessment rules to the new market-oriented rules during the 2002-2003 property tax reassessment.
- Tax levy increases by local taxing units, which are influenced by spending and the availability of other revenue sources.
- The tax restructuring provisions enacted by the General Assembly in 2002 to help mitigate some of the effects of the assessment changes.

State Tax Credits Increased in Owen County from \$1.9 Million in 2002 to \$3.2 Million in 2003.

The General Assembly's restructuring provisions increased state tax credits statewide in 2003 from \$1.12 billion to \$1.87 billion, an increase of approximately \$748 million. In Owen County, state tax credits increased

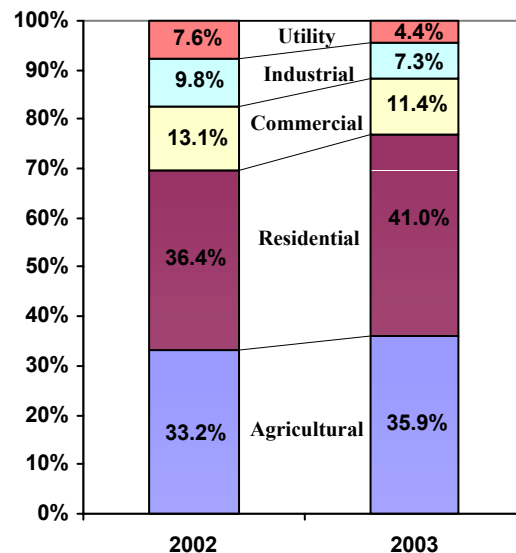
Table 1. Changes in AV and Tax Bills by Property Class for Owen County, 2002-2003.

Property Class	Change In		
	Total Gross AV	Net AV	Net Tax Bill
Agricultural	119.6%	100.3%	9.8%
Residential (All)	132.7%	105.3%	14.5%
Homestead Only	132.0%	87.7%	5.4%
Commercial	62.9%	57.0%	-11.4%
Industrial	28.6%	28.0%	-24.6%
Utility	-1.4%	-2.4%	-41.6%
Avg. All Classes	103.4%	83.1%	1.4%

from \$1.9 million to \$3.2 million, an increase of \$1.3 million. This paper provides a brief summary of how these factors changed property tax liabilities in Owen County.

Tax Shifts. Owen County saw a property tax shift from businesses to residential and agricultural property owners. Tax bills paid by residential and agricultural property owners increased, while tax bills paid by commercial, industrial, and utility property owners decreased (see Table 1). [Restructuring also incorporated an increase in the Utility Receipts Tax to compensate for reduced property tax payments by utilities.] The reason for these shifts between classes of property was that the total of real plus personal property assessed values (AV) of residential and agricultural property increased more than the assessed values of business property. Gross assessed values of agricultural and residential property more than doubled. Commercial and industrial assessments rose much less, and utility assessments actually declined by a small amount. These

Figure 1. Share of Net Property Tax Billings in Owen County.



* May not total 100% due to taxes paid by exempt/undefined parcels.

figures include the effects of new construction, demolition and remodeling of property, as well as the effects of reassessment, tax restructuring and levy increases.

Homeowners and Renters. The residential property type includes both homestead and non-homestead residential property. Owners of residential and agricultural homesteads in Owen County saw their tax bills increase by a smaller amount than the average residential property increase. A property is eligible for the homestead deduction and credit if it is occupied by its owner and is the owner's primary residence. The increase in the homestead deduction from \$6,000 to \$35,000 is the reason that residential net assessed value rose so much less than gross assessed value.

Tax bills on non-homestead residential property, which is primarily rental property, increased much more than for homestead property. Taxes rose because rental assessments increased as much as homestead assessments, but rental property was not eligible for the homestead deduction or homestead credit.

Table 2 shows tax changes for comparable properties, those with physical features that were unchanged from 2002 to 2003. In Owen County, substantially more residential property owners (including both homeowners and rental property owners) saw tax bill increases than decreases in 2003. Separately, more homestead owners saw decreases rather than increases.

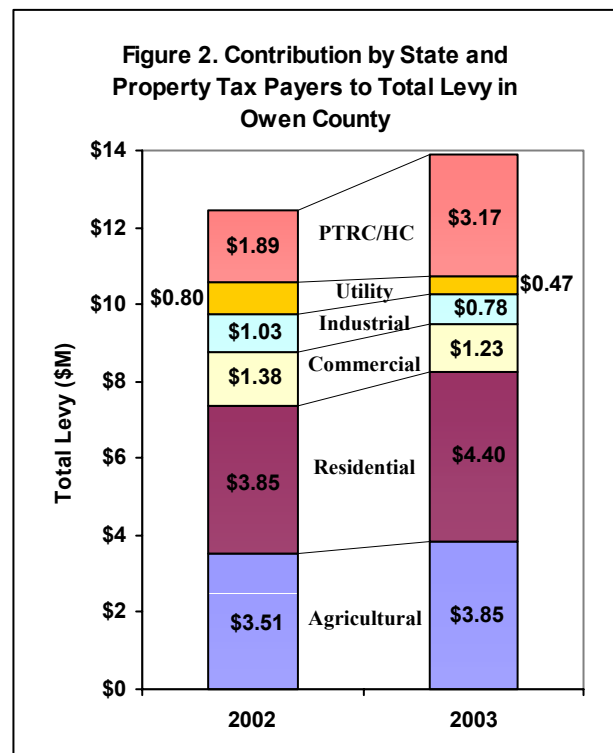
Table 2. Distribution of Net Tax Changes on Comparable Residential Property in Owen County.				
	Residential - Actual -	Homestead - Actual -	Residential - NO Levy Change -	Homestead - NO Levy Change -
Increased	63.3%	45.4%	57.4%	37.9%
Decreased	36.7%	54.6%	42.6%	62.1%
Increased 100% or More	20.2%	9.2%	18.1%	8.0%
Decreased 25% or More	20.3%	16.2%	24.3%	33.3%
Average Change (\$)	\$41	-\$42	\$3	-\$92
Average Change (%)	9.7%	-6.2%	0.8%	-13.4%
* Percentages represent the percentage of parcels affected.				

Not all of the tax bill change was due to reassessment and tax restructuring. Some was due to increases in the tax levies of local units of government. Table 2 shows estimates of what would have happened had tax levies remained unchanged. The estimates are made by recalculating tax rates for 2003 using tax levies from 2002.

With no levy changes, more than half of all residential property owners would have seen tax increases, and less than half would have seen tax decreases. For homesteads, substantially more than half would have seen decreases. Apart from levy increases, reassessment and restructuring reduced the taxes of more homeowners than they increased.

Agriculture. Taxes on agricultural property in Owen County rose. Overall, agricultural business taxes rose more than agricultural homestead taxes. The net assessed value on non-homestead agricultural real property more than doubled. This reflects the 112% increase in the base rate of farm land, from \$495 to \$1,050 per acre. Agricultural net personal property assessments decreased.

Business. Taxes on business property fell in Owen County because assessed values rose much less than residential



and agricultural assessments. Business real property was assessed closer to the market value standard under the old assessment rules than was residential property. Consequently, the shift to market value assessment increased business assessments less. The general rise in assessed values in Owen County reduced tax rates, and this cut tax bills for owners of property with smaller assessment increases, like businesses.

Tax Restructuring. The tax restructuring of 2002 made significant changes to property tax assessments, deductions, credits, and hence to overall tax payments. Restructuring reversed personal property rule changes which the Department of Local Government Finance had put in place. It replaced one tax break for homeowners, known as the shelter allowance, with a larger (in most cases) homestead deduction. Restructuring also increased property tax replacement credits (PTRC) from the existing 20% credit. PTRC on school general fund levies is now 60% for all property. A 20% PTRC is paid to real property owners on civil levies plus the remaining school general fund levies (after the 60% credit). Restructuring also raised the homestead credit to 20% of net qualifying levies, instead of allowing it to revert to 4% of gross qualifying levies in 2003. Figure 2 shows the net levies paid by each property classification along with the PTRC and state homestead credit contributions. The contribution to local levies in Owen County by PTRC and state homestead credit payments increased by approximately 67.9%, from \$1.9 million to \$3.2 million.

Table 3 shows estimates of how Owen County tax bills would have changed for each property type had tax restructuring not been adopted. Tax increases for residential and agricultural property owners would have been particularly large. The increases in the homestead deduction and PTRC in the tax restructuring reduced the size of these tax increases. Owen County residential property taxes still increased because the reassessment business-to-residential tax shift, plus the increase in the tax levy, was not fully offset by the rise in the homestead deduction and higher state PTRC payments. The elimination of the PTRC on personal property was responsible for reducing the tax cuts received by commercial, industrial and utility property. The percentage changes in the “With Restructuring” column of Table 3 correspond to the changes in the net levies in Figure 2.

Table 3. Effect of Tax Restructuring on Tax Bills by Property Type in Owen County, 2002-2003.			
Property Type	No Restructuring (Estimated)	With Restructuring (Actual)	Difference
Agricultural	22.8%	9.8%	-13.1%
Residential (All)	40.2%	14.5%	-25.7%
Homestead Only	53.5%	5.4%	-48.1%
Commercial	-13.8%	-11.4%	2.4%
Industrial	-25.3%	-24.6%	0.7%
Utility	-50.1%	-41.6%	8.6%

List of Attached Summary Tables. Four summary tables are attached to provide additional information regarding assessed values and taxes by property class.

Summary Table 1: Comparison of 2002 and 2003 Net Property Tax Billings by Property Classification. This table summarizes net tax billings for real and personal property by property class. Additional information is provided for subclasses such as homesteads, agricultural homesteads, agricultural land, and rental properties.

Summary Table 2: Comparison of 2002 and 2003 Net Assessed Value by Property Classification. This table summarizes net assessed values for the same property classes described in Summary Table 1.

Summary Table 3: Changes in Assessed Values, Deductions, Credits, and Net Levies. This table summarizes the county-wide changes in tax bill components from 2002 to 2003 for real and personal property by property class.

Summary Table 4: Residential Property Summary. This table summarizes the assessed value and net tax changes from 2002 to 2003 for residential property. The table includes a distribution of net tax changes for comparable residential properties and for the homestead component of residential property. The table also depicts the distribution of changes as if there were no levy increase in 2003.

Owen County
Changes in Assessed Values, Deductions, Credits and Net Levies
Pay 2002 - Pay 2003

	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Pay 2002							
Real Gross Assessed Value	337,548,330	134,496,991	163,822,170	114,042,280	29,544,233	9,399,248	163,568
Real Deductions	44,294,198	14,319,579	27,888,658	27,888,658	1,878,442	136,849	44,914
Real Net Assessed Value	293,254,132	120,177,412	135,933,512	86,153,622	27,665,791	9,262,399	118,654
Personal Gross Assd. Value	75,161,720	6,242,375	2,347,820	0	16,692,381	22,716,064	27,163,080
Personal Deductions	399,440	0	0	0	399,440	0	0
Personal Net Assd. Value	74,762,280	6,242,375	2,347,820	0	16,292,941	22,716,064	27,163,080
Total Gross Assessed Value	412,710,050	140,739,366	166,169,990	114,042,280	46,236,614	32,115,312	27,326,648
Total Deductions	44,693,638	14,319,579	27,888,658	27,888,658	2,277,882	136,849	44,914
Total Net Assessed Value	368,016,412	126,419,787	138,281,332	86,153,622	43,958,732	31,978,463	27,281,734
Gross Levy	12,449,395	4,126,301	4,646,216	2,898,049	1,583,246	1,184,818	905,662
PTRC (Calculated)	1,466,369	470,526	539,486	337,020	199,040	152,592	104,365
State/County Homestead Cr. (Calculated)	408,032	147,011	261,021	261,021	0	0	0
Net Levy	10,574,994	3,508,764	3,845,708	2,300,008	1,384,206	1,032,225	801,297
Pay 2003							
Real Gross Assessed Value	759,866,660	304,048,169	383,473,230	264,537,282	55,486,290	16,085,405	673,368
Real Deductions	164,991,150	55,749,280	102,866,421	102,866,421	5,696,933	361,785	313,395
Real Net Assessed Value	594,875,510	248,298,889	280,606,809	161,670,861	49,789,357	15,723,620	359,973
Personal Gross Assd. Value	79,476,660	4,946,790	3,229,540	0	19,826,020	25,214,810	26,259,500
Personal Deductions	583,640	0	0	0	583,640	0	0
Personal Net Assd. Value	78,893,020	4,946,790	3,229,540	0	19,242,380	25,214,810	26,259,500
Total Gross Assessed Value	839,343,320	308,994,959	386,702,770	264,537,282	75,312,310	41,300,214	26,932,868
Total Deductions	165,574,790	55,749,280	102,866,421	102,866,421	6,280,573	361,785	313,395
Total Net Assessed Value	673,768,530	253,245,679	283,836,349	161,670,861	69,031,737	40,938,429	26,619,473
Gross Levy	13,900,022	5,047,404	5,866,302	3,344,422	1,520,582	923,439	540,379
PTRC (Calculated)	2,862,976	1,087,546	1,263,260	720,196	294,617	145,054	72,075
State/County Homestead Cr. (Calculated)	309,434	108,544	200,890	200,890	0	0	0
Net Levy	10,727,612	3,851,314	4,402,152	2,423,336	1,225,965	778,385	468,303

COMPARISONS

Net Levy Percent Change	1.4%	9.8%	14.5%	5.4%	-11.4%	-24.6%	-41.6%
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Contributions to Tax Bill Changes, 2002-2003

Percent Changes	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Gross Real AV	125.1%	126.1%	134.1%	132.0%	87.8%	71.1%	311.7%
Gross Personal AV	5.7%	-20.8%	37.6%	0.0%	18.8%	11.0%	-3.3%
Total Gross Assessed Value	103.4%	119.6%	132.7%	132.0%	62.9%	28.6%	-1.4%
Net Assessed Value	83.1%	100.3%	105.3%	87.7%	57.0%	28.0%	-2.4%
Gross Levy	11.7%	22.3%	26.3%	15.4%	-4.0%	-22.1%	-40.3%
Net Levy	1.4%	9.8%	14.5%	5.4%	-11.4%	-24.6%	-41.6%

Actual State Credits, 2002 and 2003

	2002	2003	Change	Change%
PTRC (Abstract)	1,466,968	2,867,747	1,400,778	95.5%
State Homestead Cr. (Abstract)	418,432	297,568	-120,864	-28.9%
Total State Credits (Abstract)	1,885,401	3,165,315	1,279,914	67.9%

Comparison of 2002 and 2003 Net Property Tax Billings*
(Scaled to Abstract Values)
By Property Classification**
Owen County

Property Classification	2002 Net Tax	2003 Net Tax	Difference***	Change***	2002 % of Total Real + Pers	2003 % of Total Real + Pers	Change
<u>Real + Personal</u>							
Agricultural	3,508,764	3,851,314	342,550	9.8%	33.2%	35.9%	2.7%
Residential	3,845,708	4,402,152	556,444	14.5%	36.4%	41.0%	4.7%
Commercial	1,384,206	1,225,965	-158,241	-11.4%	13.1%	11.4%	-1.7%
Industrial	1,032,225	778,385	-253,840	-24.6%	9.8%	7.3%	-2.5%
Utility	801,297	468,303	-332,994	-41.6%	7.6%	4.4%	-3.2%
Exempt	4,230	3,627	-603	-14.3%	0.0%	0.0%	0.0%
Undefined	2,793	1,492	-1,301	-46.6%	0.0%	0.0%	0.0%
Total	10,579,223	10,731,238	152,015	1.4%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	3,328,486	3,766,274	437,788	13.2%	31.5%	35.1%	3.6%
Residential	3,776,544	4,349,998	573,454	15.2%	35.7%	40.5%	4.8%
Commercial	880,827	863,490	-17,337	-2.0%	8.3%	8.0%	-0.3%
Industrial	297,439	273,162	-24,277	-8.2%	2.8%	2.5%	-0.3%
Utility	3,476	5,673	2,197	63.2%	0.0%	0.1%	0.0%
Exempt	4,230	3,627	-603	-14.3%	0.0%	0.0%	0.0%
Undefined	2,793	1,492	-1,301	-46.6%	0.0%	0.0%	0.0%
Total	8,293,795	9,263,716	969,921	11.7%	78.4%	86.3%	7.9%
Agricultural Homesteads	1,732,978	1,858,356	125,378	7.2%	16.4%	17.3%	0.9%
Residential Homesteads	2,300,008	2,423,336	123,328	5.4%	21.7%	22.6%	0.8%
Total Homesteads	4,032,986	4,281,692	248,706	6.2%	38.1%	39.9%	1.8%
Non-Homestead Residential	1,476,536	1,926,663	450,127	30.5%	14.0%	18.0%	4.0%
Apartments (Over 4 Units)	126,480	162,448	35,968	28.4%	1.2%	1.5%	0.3%
<u>Personal Property Only</u>							
Agricultural	180,279	85,040	-95,239	-52.8%	1.7%	0.8%	-0.9%
Residential	69,164	52,154	-17,010	-24.6%	0.7%	0.5%	-0.2%
Commercial	503,379	362,476	-140,903	-28.0%	4.8%	3.4%	-1.4%
Industrial	734,786	505,223	-229,563	-31.2%	6.9%	4.7%	-2.2%
Utility	797,821	462,630	-335,191	-42.0%	7.5%	4.3%	-3.2%
Total	2,285,429	1,467,523	-817,906	-35.8%	21.6%	13.7%	-7.9%
Total Depreciables	1,529,212	986,752	-542,460	-35.5%	14.5%	9.2%	-5.3%
Total Inventory	687,053	428,616	-258,437	-37.6%	6.5%	4.0%	-2.5%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	1,595,508	1,907,918	312,410	19.6%	15.1%	17.8%	2.7%
Ag Personal	180,279	85,040	-95,239	-52.8%	1.7%	0.8%	-0.9%
Total Ag Business	1,775,787	1,992,958	217,171	12.2%	16.8%	18.6%	1.8%
Ag Homesteads	1,732,978	1,858,356	125,378	7.2%	16.4%	17.3%	0.9%

* "Tax billings" for real property refers to the net taxes charged per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Tax billings" for personal property refers to the net taxes charged on the personal property assessed value reported on the county auditor's abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net tax changes from 2002 to 2003 include effects of changes in assessment methods, local levies, real property physical characteristics, property use, personal property held or acquired, deductions, and credits.

Comparison of 2002 and 2003 Net Assessed Value*
(Scaled to Abstract Values)
By Property Classification**
Owen County

Property Classification	2002 Net AV	2003 Net AV	Difference***	Change***	2002 % of Total Real + Pers	2003 % of Total Real + Pers	Change
<u>Real + Personal</u>							
Agricultural	126,419,787	253,245,679	126,825,892	100.3%	34.3%	37.6%	3.2%
Residential	138,281,332	283,836,349	145,555,017	105.3%	37.6%	42.1%	4.6%
Commercial	43,958,732	69,031,737	25,073,005	57.0%	11.9%	10.2%	-1.7%
Industrial	31,978,463	40,938,429	8,959,966	28.0%	8.7%	6.1%	-2.6%
Utility	27,281,734	26,619,473	-662,261	-2.4%	7.4%	3.9%	-3.5%
Exempt	137,010	218,500	81,490	59.5%	0.0%	0.0%	0.0%
Undefined	96,364	96,863	499	0.5%	0.0%	0.0%	0.0%
Total	368,153,422	673,987,030	305,833,608	83.1%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	120,177,412	248,298,889	128,121,477	106.6%	32.6%	36.8%	4.2%
Residential	135,933,512	280,606,809	144,673,297	106.4%	36.9%	41.6%	4.7%
Commercial	27,665,791	49,789,357	22,123,566	80.0%	7.5%	7.4%	-0.1%
Industrial	9,262,399	15,723,620	6,461,221	69.8%	2.5%	2.3%	-0.2%
Utility	118,654	359,973	241,319	203.4%	0.0%	0.1%	0.0%
Exempt	137,010	218,500	81,490	59.5%	0.0%	0.0%	0.0%
Undefined	96,364	96,863	499	0.5%	0.0%	0.0%	0.0%
Total	293,391,142	595,094,011	301,702,869	102.8%	79.7%	88.3%	8.6%
Agricultural Homesteads	64,967,645	125,792,897	60,825,252	93.6%	17.6%	18.7%	1.0%
Residential Homesteads	86,153,622	161,670,861	75,517,239	87.7%	23.4%	24.0%	0.6%
Total Homesteads	151,121,267	287,463,758	136,342,491	90.2%	41.0%	42.7%	1.6%
Non-Homestead Residential	49,779,890	118,935,948	69,156,058	138.9%	13.5%	17.6%	4.1%
Apartments (Over 4 Units)	4,011,107	9,416,709	5,405,602	134.8%	1.1%	1.4%	0.3%
<u>Personal Property Only</u>							
Agricultural	6,242,375	4,946,790	-1,295,585	-20.8%	1.7%	0.7%	-1.0%
Residential	2,347,820	3,229,540	881,720	37.6%	0.6%	0.5%	-0.2%
Commercial	16,292,941	19,242,380	2,949,439	18.1%	4.4%	2.9%	-1.6%
Industrial	22,716,064	25,214,810	2,498,746	11.0%	6.2%	3.7%	-2.4%
Utility	27,163,080	26,259,500	-903,580	-3.3%	7.4%	3.9%	-3.5%
Total	74,762,280	78,893,020	4,130,740	5.5%	20.3%	11.7%	-8.6%
Total Depreciables	50,620,127	53,657,779	3,037,652	6.0%	13.7%	8.0%	-5.8%
Total Inventory	21,794,333	22,005,701	211,368	1.0%	5.9%	3.3%	-2.7%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	55,209,767	122,505,992	67,296,225	121.9%	15.0%	18.2%	3.2%
Ag Personal	6,242,375	4,946,790	-1,295,585	-20.8%	1.7%	0.7%	-1.0%
Total Ag Business	61,452,142	127,452,782	66,000,640	107.4%	16.7%	18.9%	2.2%
Ag Homesteads	64,967,645	125,792,897	60,825,252	93.6%	17.6%	18.7%	1.0%

* "Net Assessed Value" for real property refers to the gross AV less deductions per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Net Assessed Value" for personal property refers to the gross personal property assessed value reported on the county auditor's abstract less the deductions reported on the abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net AV changes from 2002 to 2003 include effects of changes in assessment methods, real property physical characteristics, property use, personal property held or acquired, and deductions.

**Owen County
Residential Property Summary
2003 Reassessment**

Property Type	Change in Gross AV 2001 to 2003	Change in Net AV 2001 to 2003	Change in Net Tax 2002 to 2003	Change in Net Tax With NO Cert. Levy Chg. 2002 to 2003
All Real Residential Properties	140%	111%	18%	8%
Comparable Residential Real Prop.	127%	96%	10%	1%
Comparable Homesteads	120%	69%	-6%	-13%

Distribution of Net Tax Changes on Comparable Residential Property

% Change		2002 to 2003 Actual Bills All Residential Property		2002 to 2003 Actual Bills Homesteads Only		2002 to 2003 Recomputed Bills With NO Certified Levy Change All Residential Property		2002 to 2003 Recomputed Bills With NO Certified Levy Change Homesteads	
Over	300%	495	6.0%	97	2.8%	413	5.0%	84	2.5%
200%	to 300%	375	4.5%	50	1.5%	339	4.1%	48	1.4%
100%	to 200%	802	9.7%	169	4.9%	741	9.0%	142	4.1%
50%	to 100%	1,095	13.3%	270	7.9%	915	11.1%	218	6.4%
25%	to 50%	863	10.4%	325	9.5%	741	9.0%	246	7.2%
10%	to 25%	684	8.3%	306	8.9%	666	8.1%	273	8.0%
5%	to 10%	239	2.9%	133	3.9%	273	3.3%	127	3.7%
0	to 5%	673	8.1%	205	6.0%	653	7.9%	161	4.7%
0	to -5%	286	3.5%	185	5.4%	282	3.4%	155	4.5%
-5%	to -10%	283	3.4%	203	5.9%	294	3.6%	175	5.1%
-10%	to -25%	787	9.5%	582	17.0%	938	11.4%	655	19.1%
-25%	to -50%	1,025	12.4%	659	19.2%	1,122	13.6%	820	23.9%
Below	-50%	652	7.9%	241	7.0%	882	10.7%	321	9.4%
		8,259	100.0%	3,425	100.0%	8,259	100.0%	3,425	100.0%
Parcels With Increases		5,226	63.3%	1,555	45.4%	4,741	57.4%	1,299	37.9%
Parcels With Reductions		3,033	36.7%	1,870	54.6%	3,518	42.6%	2,126	62.1%
Average \$ Change			\$41		-\$42		\$3		-\$92
Average % Change			9.7%		-6.2%		0.8%		-13.4%

"Comparable Properties" = Properties with a record in both years that have improvements in both years OR no improvements in both years.

Data Source: 2001 and 2003 County Parcel Tax Data - County Auditor and County Assessor

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